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Steve Cason
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Cox @ Powell Associates, Danville
Allan D. Creeger
Aarkow Special Events, Richmond
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Williams-Colonade, Inc., Charlottesville
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Edloe's Professional Pharmacy, Richmond
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Martha's, South Hill
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Best Products, Richmond
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Larry Johnson
Sageway, Lanham, MD
Joseph M. Kelleher, Jr.
Kelleher Corporation, Richmond
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Southern States, Richmond
Raymond H. Klein
7-Eleven, Charlottesville
Jeff Krause
Wal-Mart, Colonial Heights
L.G. Lazarus
Lazarus, Inc., Roanoke
Thomas Leath
Tomnes Furniture, Martinsville
Julie Mullian
Circuit City, Richmond
Carl Newcooker
Newcooker, Inc., Lexington
Dave Osborne
The Kroger Co., Roanoke
Brian Peace
Food Lion, Inc., Salisbury, NC
G. Conoly Phillips
Conoly Phillips Lincoln-Mercury, Norfolk
Tony Precorny
Sentry Insurance, Richmond
Michael Pugh
Kmart, Richmond
Frank Ruff, Jr.
Brentwood Manor Furniture, Lexington
H. Wayne Sale
Health First, Richmond
Barry Scher
Giant Food, Inc., Washington, DC
Jack Schewel
Schewel Furniture, Lynchburg
Joe M. Sears, Jr.
Scott & Stringfellow, Roanoke
Duane Shockley
Sears, Roebuck and Co., Richmond
William Smith
Southern States, Richmond
Mike Stinnett
Leggett Stokes, Danville
Jerry F. Tatton
Lectre Tire & Auto, Petersburg
Sallie Thomas
J.C. Penney Co., Washington, DC
Wylie Walton
Grand Piano & Furniture, Roanoke
Marc Weinberg
Esther May Shoppe, Farmville
Lacy Woodack
Hecht Company, Arlington



April 15, 1997

TO: Members of the Committee on Commerce Subcommittee on Energy and Power

PROM: Jo Hambrick Kittner 
President, Virginia Retail Merchants Association

RR: Support of Competition in the Electric Utility Industry

Position

The Virginia Retail Merchants Association (VRMA) strongly supports competition **within** the electric utility industry as soon as possible. We believe that this competition must be legislated at **both** federal and state levels in order to fairly balance the needs and interests of all users and providers of power.

We believe that federal legislation should ensure all customers the right to choose the electricity supplier **that** best meets their needs. Any federal reform initiative should include **the** following:

- All consumers, regardless of user class, should be allowed access to a competitive market at the same time.
- Competition should be mandated without delay.
- Electricity customers should not be liable for revenues and profits not yet realized nor should they have to compensate utility companies for past bad management decisions.

We believe that each state should be allowed substantial authority in deciding how to adapt to competition given their individual circumstances, including how to deal with the mitigation of stranded costs.

Why Competition in the Electric Utility Industry is Important to Retailers

Competition in the electric utility industry would reduce the price retailers pay for their power.

Retailers know that to get and keep customers, they must offer lower prices than their competitors. A system which protects local utility companies from competition provides no incentive for those companies to keep prices low. Electricity providers would have a greater incentive to provide lower prices to their customers if those customers had the right to shop in a free market for their power. Retailers expect to reduce their electricity costs by 15 to 60% by a shift to free-market competition. Competition in other industries has proven to reduce costs. Deregulation of the natural gas industry resulted in a 24% decrease in prices in six years. Deregulation of long distance telephone services has lowered rates by up to 50% in the last ten years. States who have already experienced deregulation in the electric utility industry have also experienced substantial rate decreases -- 15 to 30% in New Hampshire and Illinois and as much as 20% in Massachusetts. The grocery retailers alone, if they realized only a 24% savings, would see an annual reduction in their electricity costs of approximately \$1 billion (based on total grocery industry sales of \$412.5 billion for 1995).

Competition in the electric utility industry would improve the reliability and variety of service

retailers receive from their power providers. Retailers also understand that to get and keep their customers, they must also provide good customer service and constantly search for and make available to their customers new and improved products. A system which protects local utility companies from competition also provides no incentive to maintain reliable service or develop new and innovative products that may improve that service for their customers. Retailers know that in a

competitive environment, service failures and failure to continually provide new and innovative products will be met **with** consumer rebellion and loss as those customers are free to switch to a different retailer who does satisfy their demands. If power customers are given **the** same power of choice over electricity that they have over every other purchasing decision they make, the reliability and variety of service customers receive from their preferred provider will, without a doubt, improve.

*A competitive **market for power** would allow retailers to gain control over one of its major operating expenses.* Electricity is one of the largest non-labor operating expenses for most retailers. Unlike labor costs, **the** price retailers pay for their electricity is completely beyond their control. Instead, this major cost of doing business is determined and controlled by a monopoly service provider regulated by the state. Retailers are at a particular disadvantage. Big industrial users can already negotiate reasonable rates based on their ability to relocate and self-generate. Small electricity consumers, like retailers, do not have these options and are forced to buy electricity from the monopoly service provider available in their area. Retailers are able to shop among suppliers and negotiate the price they must pay for other operating expenses but they have little power to influence what they pay for electricity. In a competitive market, retailers would be able to competitive shop the various power resources and generate bottom line savings on this element of their operating expense, thereby better controlling **that** expense in the same way they are able to control their other operating expenses.

Lowering the rates for electric power will allow retailers to lower the price of the goods and services they offer to their customers, putting more money in the hands of consumers. As previously stated, electricity represents a substantial portion of a retailer's overhead. The smaller the retailer, the greater **the** burden electricity bills represent as a percentage of the retailer's overall costs. These costs are factored into the final price of the goods and services the retailer offers to its

customer. According to the Food Marketing Institute, the cost of power to grocery stores accounts for four percent of the price of the goods they sell. It has been estimated by ~~the~~ auto industry that \$700 of the sticker price of every new General Motors automobile is attributable to cost of electricity. When the retailer can shop around for its power, it can better control and reduce its costs of operation thereby lowering the price of goods and services offered by ~~the~~ retailer and putting more money in the pockets of consumers.

A competitive market for electrical power would eliminate unfair discrimination inherent in the present regulated system. Under the current regulated rating system, retailers generally pay higher rates than residential or industrial customers. The Virginia State Corporation Commission reported in July 1996 that the average rate for Virginia retailers was 6.37 (cents.kWh) compared to 4.31 for industrial users and 6.15 for other commercial users. A competitive market would not only lower rates for all users but eliminate the rate discrimination inherent in the present system. Another more subtle way retailers can be discriminated **against** under a system of power company monopolies is that retailers in the same general area may be served by different utilities and pay vastly different prices for power. This reduces their ability to compete freely with neighboring retailers. The Virginia State Corporation Commission has reported ~~that~~ Virginia Power's commercial rates are 29.7% higher than those of Appalachian Power. A retailer who is served by Appalachian Power can pass that savings on to its customers at the expense of a nearby retailer who must purchase power from Virginia Power at no such savings to its customers. **Allowing** all users to pick their power company will eliminate this unfair competitive advantage.

Retail competition is just as important to the small retailer as it is to the larger retailer or to any other power user. Many states that are moving toward deregulation are doing so at the expense of the smaller customers, usually retailers and residential users. Some states are attempting to phase in access to a competitive electricity market with the large industrial users going first. Only an act of

Congress can truly protect the small user, like the retailer, by passing legislation that gives choice of electricity suppliers to all customers at the same time.

Summary

The Virginia Retail Merchants Association, speaking on behalf of the retail industry in the Commonwealth of Virginia, urges this committee to adopt legislation that will ensure that all users of electric power are given the right to choose the electricity supplier that best meets their needs. We urge to make this important choice available to all consumers of electric power, both large and small, at the same time and without delay. The Virginia Retail Merchants Association wishes to express its deepest appreciation to the members of this committee for the time and attention they have devoted to this important policy issue and for allowing us to express our thoughts on this issue to you.

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Richmond, Virginia 23219
804-649-0789

EDUCATION

University of North Carolina **School of Law**
Juris Doctor
Received, May 1989

University of North Carolina at Greensboro
Bachelor of Science, Clothing and Textiles
Received with Honors, May 1981
Outstanding Senior, May 1981

PROFESSIONAL EXPERIENCE

President - Virginia Retail Merchants Association
September 1996 - present

Richmond, Virginia

- Lobby state legislature on behalf of the retail industry.
- Monitor state and federal legislation affecting interest of members.
- Develop and publish Association's publications and other communications with members.
- Coordinate **with** Board of Directors and direct work of 8 Board committees.
- Plan, implement and control Association's annual budget.
- Manage the day-to-day operations of the Association and its staff.

Director of Governmental Affairs and Legal Counsel - North Carolina Bar Association
March 1992 - August 1996

Raleigh, North Carolina

- Developed Association's most successful legislative program to date.
- Lobbied state **legislature** on behalf of Association.
- Monitored legislation affecting interest of members.
- Wrote and published bi-weekly legislative newsletter and session-end legislative magazine.
- Directed work of 24 legislative drafting committees and 8 Board committees.
- Planned, implemented and controlled department's yearly budget.
- Directed Association's political action committee.

Primary Accomplishments:

- Consistently maintained over 80% passage rate for Association sponsored legislation.
- Developed in-house computerized tracking system with weekly reporting capacity.
- Redesigned department's publications into professional format with expanded features.
- Developed active drafting committees for every major area of substantive law.

Attorney - Hatch, Little and Bunn
January 1991 - February 1992

Raleigh, North Carolina

- Managed caseload concentrating in family law, criminal district court work and environmental law with ten-attorney firm.

Attorney - King, Walker, Lambe & Crabtree
August 1989 - December 1990

Durham, North Carolina

- Assisted senior partner with his caseload of family law cases.

Retail Clothing Buyer - Belk Department Stores
May 1981 - August 1986

Raleigh, North Carolina

- Purchased women's clothing in nine departments for thirteen store group.
- Planned, implemented and controlled purchasing and marketing budget exceeding \$1.5 million.
- Planned and coordinated all advertising and marketing for departments of responsibility.

PROFESSIONAL LICENSES AND MEMBERSHIPS

Virginia State Bar, admitted 1997
North Carolina State Bar, admitted 1989

American Society of Association Executives, 1992 to present
Virginia Society of Association Executives, 1996 to present
Virginia Bar Association, 1997 to present
Metropolitan Richmond Women's Bar Association, 1996 to present